



AR35

Pitts Engineering Construction Limited

1976
ANNUAL
REPORT



*Arnprior, Ont., Bridge, Control
Weir and River Improvements*

Pitts at a Glance

One of Canada's largest publicly-owned civil engineering contractors, Pitts is engaged in large-scale energy developments, multilane highways, subways, bridges, dams, tunnels, and marine construction. The company's operations extend across Canada, from British Columbia in the west to the Maritime provinces in the east, and include the far north and arctic regions.

Working for governments at all levels, power utilities, and major industrial corporations, Pitts bids only on owner-designed projects, with tenders based on plans and specifications supplied by the client. Most work is contracted on firm unit prices, although some projects are undertaken on a 'cost plus incentive fee' basis.

Where warranted by project size or location, Pitts will enter into joint ventures, either as sponsor and manager, or as a participant. As of December 31, 1976, the company was participating in six joint ventures.

Pitts' two wholly-owned subsidiaries, Cliffside Pipe-layers Limited and McDace Limited are engaged in underground utility work, including the construction of gas and oil pipelines, hydro, telephone, and cable television conduits, watermains, storm drains and sewers. Their work area includes Metropolitan Toronto, as well as southwestern and eastern Ontario.

Through its 33% equity interest in Standard Industries Limited, Pitts participates profitably in that company's construction material and supply business. Standard is one of the largest companies in this field in Canada with annual sales of \$84 million.

Cover

Shown on the cover of this report is the Highway 17 bridge and tailrace control weir at Arnprior, Ontario. This \$7.4 million project was awarded to the company in September, 1974, and completed in September, 1976.

Its special feature is the "S"-shaped concrete weir, the construction of which required forming four three-way curves up to 35 feet high.

Early in 1974, in the same area, Ontario Hydro awarded Pitts a contract for the second phase of the Arnprior Hydro-Electric Generating Station (shown below) located 1.5 miles upstream from Arnprior. Work was completed in late 1976.





Pitts Engineering Construction Limited

and subsidiaries

Directors

WALLACE A. BARRIE, *P.Eng.*
ALLAN L. BEATTIE, *Q.C.*
EDWARD E. BEKHOR, *M.B.A.*
WILLIAM C. COLE, *P.Eng.*
SYDNEY C. COOPER, *P.Eng.*
JAMES D. JARRELL, *B.Comm.*
DONALD J. MCDONALD, *B. Comm.*
FRANK A. M. TREMAYNE, *B.A., L.L.B.*

Officers

SYDNEY C. COOPER, *P.Eng.*
President and Chief Executive Officer
WILLIAM C. COLE, *P.Eng.*
Senior Vice-President
JAMES D. JARRELL, *B.Comm.*
Senior Vice-President
WALLACE A. BARRIE, *P.Eng.*
Vice-President and General Manager Operations
HOWARD A. BRADLEY, *P.Eng.*
Vice-President and Chief Estimator
HARJIT S. DHILLON, *P.Eng.*
Vice-President
ALEXANDER R. DRUMMOND, *P.Eng.*
Vice-President and Chief Engineer
ALEXANDER R. MCDONALD, *P.Eng.*
Vice-President
NORMAN A. HARRISON, *C.G.A.*
Treasurer and Comptroller
FRANK A. M. TREMAYNE, *B.A., L.L.B.*
Secretary
ELVIN R. AUSTIN
Executive Vice-President, Cliffside Pipelayers Limited
ROBERT F. C. MARRIOTT, *P.Eng.*
President, McDace Limited
GEORGE A. GRIFFITH
Assistant Treasurer

Registrars and Transfer Agents

NATIONAL TRUST COMPANY, LIMITED
Montreal, Toronto, Winnipeg, Calgary and Vancouver
NOVA SCOTIA TRUST COMPANY
Halifax, Nova Scotia

Auditors

ERNST & ERNST
Toronto, Ontario

Bankers

THE ROYAL BANK OF CANADA
THE BANK OF NOVA SCOTIA

General Counsel

OSLER, HOSKIN & HARCOURT
Toronto, Ontario

Exchange Listings

THE TORONTO STOCK EXCHANGE
MONTREAL STOCK EXCHANGE

Principal Offices

PITTS, ONTARIO
30 Commercial Road, Toronto
PITTS, QUEBEC
4480 Cote de Liesse Road, Montreal
CLIFFSIDE
3660 Midland Avenue, Toronto
McDACE
611 Clarke Road, London

The Pitts' Group of Engineering Construction Companies

Pitts Engineering Construction Limited
C. A. Pitts General Contractor Limited
Pitts Quebec Limited
Pitts Engineering Construction Eastern Limited
Drake Construction Co. Ltd.
Cliffside Pipelayers Limited
McDace Limited
Huron Pipelines Limited
Underwater Tel-Eye Ltd.
Underwater Tel-Eye (Canada) Ltd.

Annual Meeting

The Annual Meeting of shareholders will be held on Wednesday, April 27, 1977, at 3:00 p.m. in the Confederation Room of the Royal York Hotel, Toronto, Ontario. Others interested in the company are welcome to attend.



Long Spruce Constructors, a Pitts managed joint venture, has completed 92% of this \$140 million contract for Manitoba

Hydro. Pictured here are the north main dam and powerhouse as they near completion.

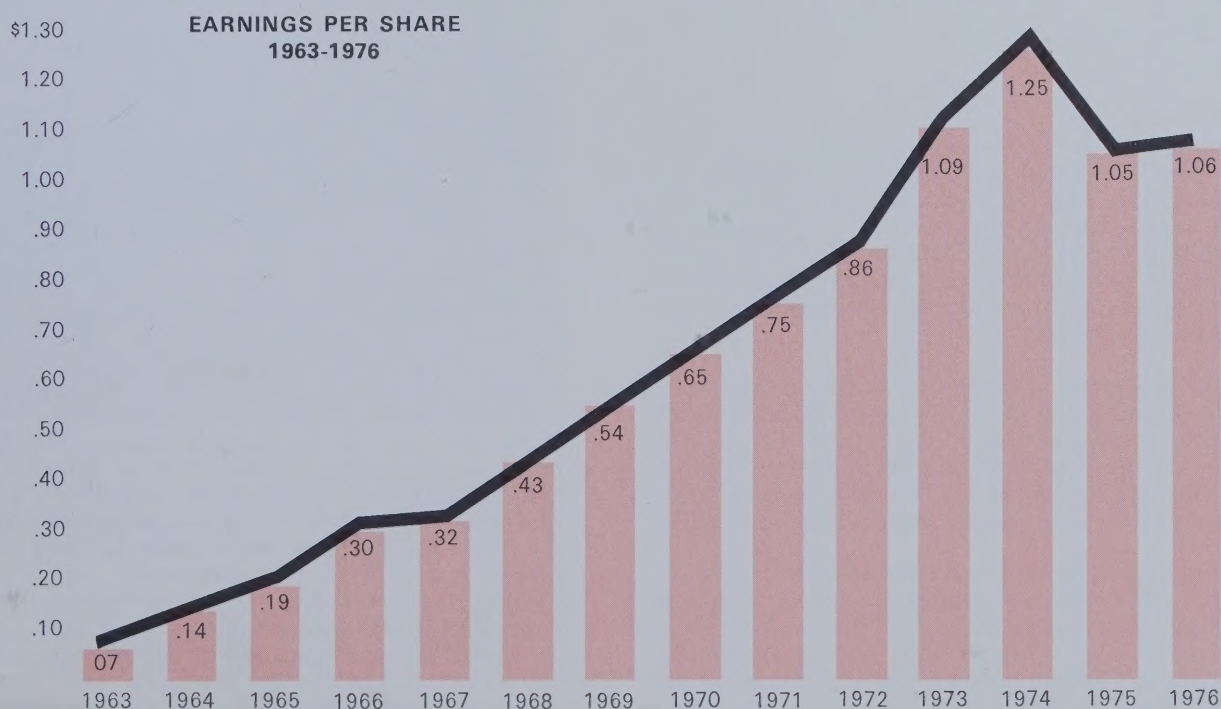


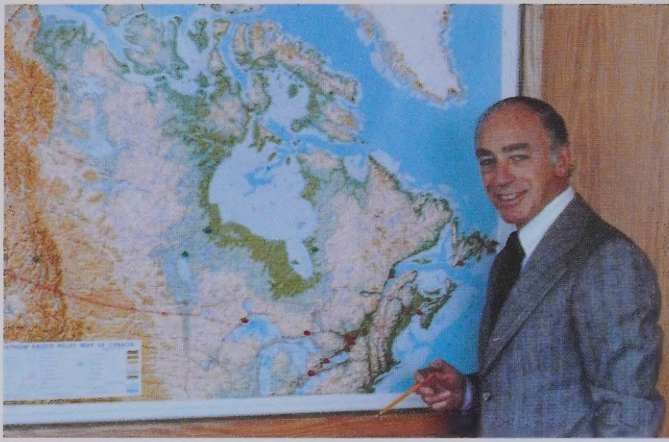
Financial Highlights

	1976	1975	1974	1973	1972
Revenue	\$85,047,300	\$87,332,120	\$85,032,258	\$65,026,605	\$56,416,182
Depreciation	2,701,629	2,670,714	2,684,071	2,437,497	2,005,694
Provision for taxes	2,516,067	2,606,175	3,882,023	4,048,499	3,335,510
Earnings before the following	4,356,867	4,305,647	5,117,922	4,458,014	3,472,064
Earnings per share*	1.06	1.05	1.25	1.09	.86
Extraordinary Items		470,690		355,372	295,993
Earnings per share*		.12		.09	.07
Net Earnings	4,356,867	4,776,337	5,117,922	4,813,386	3,768,057
Working Capital	10,077,070	9,086,640	8,200,606	5,788,794	6,632,544
Dividends paid per share*	.30	.30	.30	.20	.15¼
Shareholder Equity	28,212,294	25,059,762	21,460,388	18,080,216	14,139,755
Equity per share	6.87	6.11	5.25	4.41	3.50
Shares outstanding	4,105,200	4,098,600	4,091,000	4,091,000	4,024,300
Market Price – T.S.E. & M.S.E.	4¼ – 6½	5 – 8¾	5½ – 11¾	9 – 13	7⅞ – 11½

1971 Valuation Day Value \$7.065 per share

*Adjusted for all stock splits





S. C. Cooper

To the Shareholders

On behalf of the board of directors, I am pleased to present Pitts' annual report for the year ended December 31, 1976. Revenue and earnings reflect a year of continued recession in the construction industry, reduced capital spending and the negative effect of restraints imposed by the wage, price and profit control system. Nevertheless 1976 was the company's third best year in earnings, exceeding 1975 by a slight margin. It demonstrates Pitts' continuing ability to minimize the influence of cyclical fluctuations, which are characteristic of the construction industry. This has been achieved largely through diversification into various areas of civil engineering construction and through directing the company's activities into any geographic area in Canada that offers construction opportunities.

Revenue of \$85,047,300 yielded net income after taxes of \$4,356,867 or \$1.06 per share, compared with 1975 revenue of \$87,332,120 and net income before extraordinary earnings of \$4,305,647 or \$1.05 per share. Working capital at year end stood at \$10,077,070 compared to \$9,086,640 at the end of 1975. Capital expenditures totalled \$3,528,093 compared to \$3,797,736 in 1975.

Year in Review

Projects completed during the year included two contracts for hydro-electric development and river controls on the Madawaska River near Arnprior, Ontario, totalling \$19 million, a large wharf for Stelco's new development at Nanticoke, Ontario on Lake Erie worth \$12.3 million, which was completed ahead of schedule, and the first stage of a rail-marine facility at Thunder Bay to transfer western Canadian coal to Ontario.

Other major projects completed during the year included a downtown bridge and grade separation in Saint John, New Brunswick, several jobs in the Sudbury, Ontario area and a large rail-grade separation in Metropolitan Toronto. Work on two non-sponsored, joint venture, hydro-electric projects in Northern Manitoba was also finished in 1976.

Nearing completion by year-end were two Toronto International Airport access road contracts totalling \$9 million and an arterial expressway in St. John's, Newfoundland. Work was proceeding satisfactorily on two non-sponsored, joint ventures in Quebec, namely, the LG2 underground east powerhouse for the James Bay Energy Development Corporation and tunnelling work on the Outardes hydro-electric development near Baie Comeau, Quebec.

Early last year Long Spruce Constructors, a joint venture sponsored by Pitts, was awarded a \$28.8 million contract for the first phase of the Limestone hydro-electric development on the Nelson River in northern Manitoba. The contract calls for the construction of a large "U" shaped cofferdam, general site development and other related work at a location 14 miles downstream from the original Long Spruce project. Completion is scheduled for the summer of 1978 when, it is expected, Manitoba Hydro will call tenders for the main dam and powerhouse, work similar to the Long Spruce generating station, which was 92% complete at year end.

Cliffside Pipelayers Limited of Toronto and McDace Limited of London, Ontario, Pitts' underground utility construction subsidiaries, had a reasonably busy year with sales slightly up from the previous year.

Standard Industries

During the year Pitts acquired an additional 47,720 shares of Standard Industries, increasing its holdings from 31% to 33% of the outstanding stock and now holds 1,035,976 shares. Standard is a major manufacturer and supplier of aggregates, ready-mix concrete, concrete pipe, slag cement, asphalt mixes and other related products.

Standard's earnings for the 12 months ended December 31, 1976 were \$1.50 compared to \$1.58 for the similar period of 1975. The decrease was primarily due to the low level of activity in the construction industry and house building. The expected strengthening of the Canadian economy and an improvement in the construction and house building markets should add new momentum to Standard's growth, both in sales and earnings.

Dividends

In 1976 Pitts paid dividends totalling 30¢ for each Class C share and tax deferred dividends of 25½¢ for each Class B share.

Last December, your directors announced an increase in the indicated annual dividend from 30¢ to 32¢ per share commencing with the first quarter dividend of 1977. This is the fifth increase in the annual dividend since the company went public in 1968.

Dividends received from Standard Industries totalled \$622,587 compared to \$508,383 in 1975.

The Year Ahead

New contract awards picked up considerable momentum in the three months commencing November, 1976. During that period, Pitts acquired more than \$45 million in new contracts, mainly for energy-related projects. In several of the new areas the possibility exists to obtain additional work. The largest contract is a \$35.4 million, Pitts-sponsored, joint venture for the first stage of the Revelstoke hydro-electric power development in British Columbia. The company was also awarded contracts for a \$6.7 million ferry wharf in Baie Comeau, Quebec; the first stage of the Port aux Basques, Newfoundland ferry wharf improvements; and an \$8.7 million rock excavation job at Ontario Hydro's nuclear energy development at Douglas Point on Lake Huron. Additional work was obtained in Sudbury, London, Prescott and Toronto, Ontario.

At the end of February, 1977, Pitts' backlog of work for the immediate year ahead was the highest in the company's history.

The above may well be an indication that the construction sector of the economy is on an uptrend. This is certainly the case with energy-related projects which were slowed down during the past two years by spending cutbacks and energy conservation reassessments. As a result, completion schedules have again become critical, with the severe winter conditions of 1976-1977 adding further urgency to the development of new energy sources.

In the non-energy sector of civil engineering construction, the outlook is uncertain and depends almost entirely on the economic policies of the Federal Government. The desire exists to stimulate the economy but a damper must be kept on inflation; this is certainly not a simple task. It is necessary to lower interest rates, create incentives to induce industrial spending programs, remove profit restraints as they affect re-investment and expansion and to make effective use of spending programs in areas of high unemployment. At the same time, extreme care must be taken not to rekindle inflation as experienced in pre-A.I.B. days. Accordingly, controls should be relaxed gradually in an orderly and programmed manner. Price and, more importantly, wage controls should be retained for at least the remainder of the A.I.B. control period and on a modified basis beyond it. As controls in general are phased out, serious thought must be given to the continuation of some form of wage controls or guidelines in certain sectors of the construction industry. Failure to maintain restraint in this area may slow capital expansion to recession levels and cause severe unemployment. Needless to say, an improvement in productivity is also essential to make Canada again competitive and attractive to Canadian and foreign investors.



J. D. Jarrell, W. C. Cole, W. A. Barrie

Given the opportunities of an improving economy Pitts will participate vigorously and profitably in the growth of the Canadian construction industry.

Personnel

In October 1976, E. R. Austin was appointed executive vice-president of Cliffside Pipelayers Limited following the retirement of Irving Morton as president of the subsidiary and also as a director of Pitts. Mr. Morton served the company for many years and his valuable contributions to Cliffside and Pitts are recognized and greatly appreciated.

F. A. M. Tremayne, secretary and company counsel, was appointed a director of Pitts to fill the vacancy on the board. During the year, A. R. McDonald, P.Eng., was promoted to vice-president and G. A. Griffith was made assistant treasurer. J. H. Flett, P.Eng., joined the company as assistant chief engineer.

Pitts continues its assistance to the Construction Management graduate course at the University of Waterloo, Ontario both on a financial and advisory basis. Your company has been active in this program since its inception.

Acknowledgements

On behalf of the directors and Pitts' 1,090 shareholders, I extend expressions of sincere appreciation and thanks to our many employees across Canada for their loyalty and dedication to the company.

On behalf of the Board

S. C. Cooper, P.Eng.,
President and Chief
Executive Officer.

February 18, 1977

*Rock excavation for relocation of the C.P.R. tracks
for the International Nickel Company of Canada
Limited at Sudbury, Ont*



Sudbury – Levack Road bridge over the C.P.R.





Saint John, N.B. elevated thoroughway over Haymarket Square, completed in late 1976.

In September 1976, Pitts completed a \$12.3 million contract for the construction of this 1,467 ft. dock facility for the Steel Company of Canada at Nanticoke, Ontario.



JOB SITES



Toronto, Ont.



Toronto, Ont.



London, Ont.

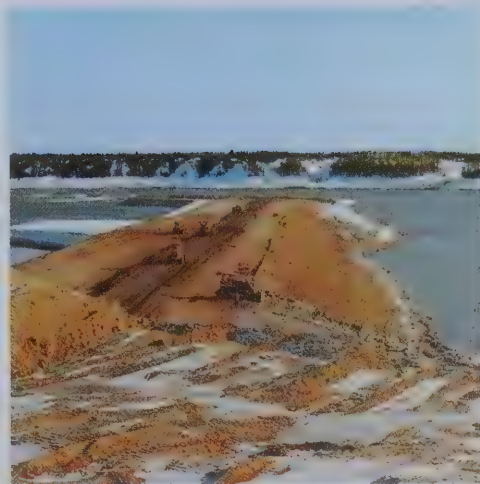
LOCATION		DESCRIPTION
1. St. John's	Nfld.	harbour arterial road
2. Port aux Basques	Nfld.	ferry terminal rehabilitation
3. Saint John	N.B.	elevated throughway
4. Baie Comeau	Que.	ferry dock
5. Baie Comeau	Que.	tunnels and penstocks
6. Prescott	Ont.	dock repairs
7. James Bay	Que.	L.G.2 east powerhouse
8. Arnprior	Ont.	generating station, bridge and tailrace
9. Ottawa	Ont.	highways and bridges
10. Kingston	Ont.	lock rehabilitation
11. Toronto	Ont.	highways and bridges
12. London	Ont.	grading and drainage
13. Nanticoke	Ont.	bridge, rock causeway and wharf
14. Sudbury	Ont.	highway construction
15. Douglas Point	Ont.	site rock excavation
16. Douglas Point	Ont.	intake pipelines and discharge channels
17. Sault Ste. Marie	Ont.	channel improvement
18. Thunder Bay	Ont.	coal handling facilities
19. Jenpeg	Man.	generating station
20. Gillam	Man.	Long Spruce generating station
21. Gillam	Man.	Limestone coffer dam and site preparation
22. Revelstoke	B.C.	diversion tunnel and roads



- Pitts Projects
- Pitts Sponsored Joint Ventures
- Joint Ventures



St. John's, Nfld.



Gillam, Man.



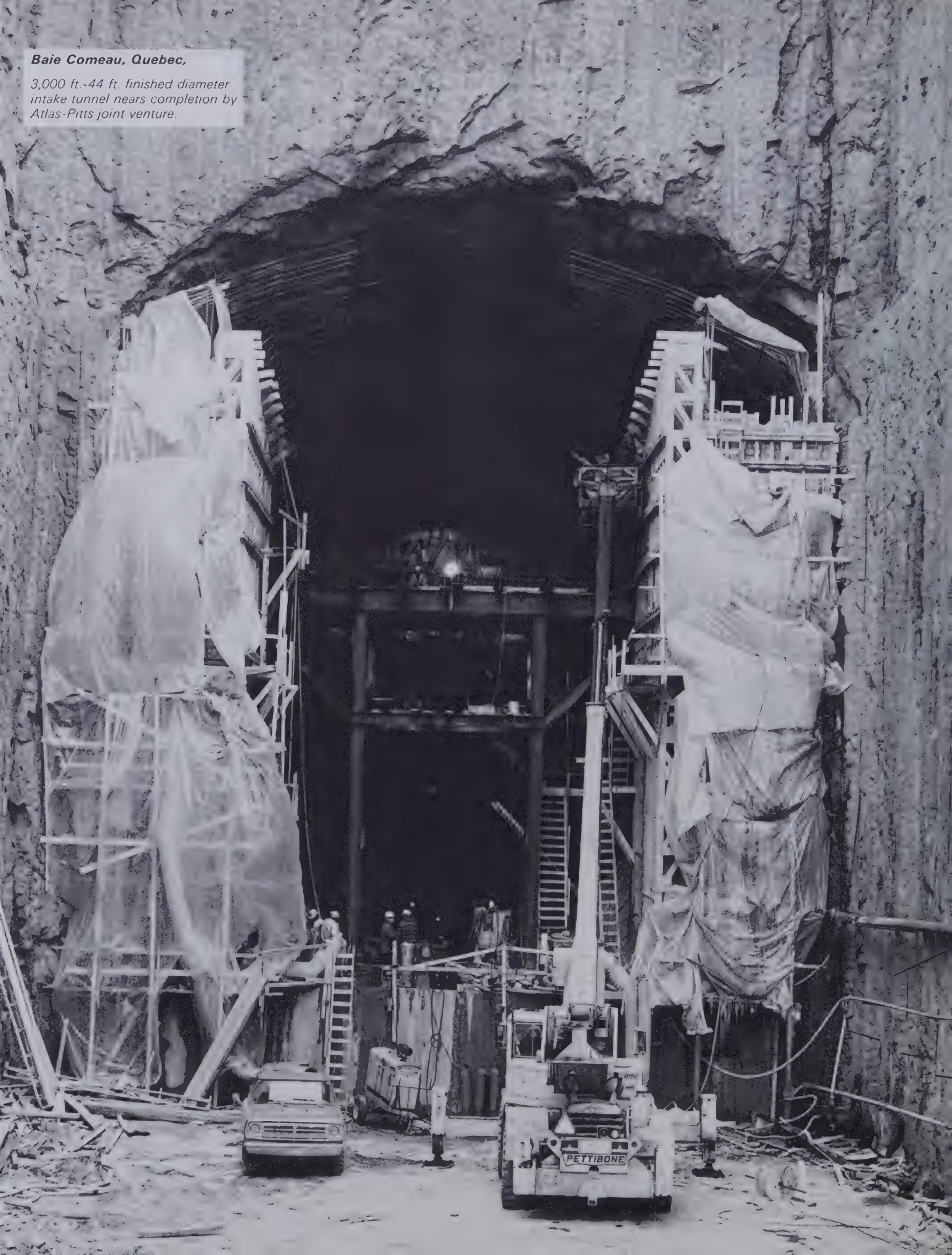
Jenpeg, Man.



James Bay, Que.

Baie Comeau, Quebec,

*3,000 ft.-44 ft. finished diameter
intake tunnel nears completion by
Atlas-Pitts joint venture.*





Pitts Engineering Construction Limited
and subsidiaries

Statement of Consolidated Earnings

		YEAR ENDED DECEMBER 31	
		1976	1975
Contract revenue		\$85,047,300	\$87,332,120
Contract costs		73,406,727	75,488,772
		11,640,573	11,843,348
Equity in net earnings of associate company – Note 1		1,502,135	1,481,029
Interest earnings		338,072	
Expenses :			
Depreciation of buildings and equipment		2,701,629	2,670,714
Administrative		3,481,722	3,244,562
Interest on long term debt		424,495	458,263
Interest and other			39,016
		6,607,846	6,412,555
	EARNINGS BEFORE THE FOLLOWING	6,872,934	6,911,822
Income taxes – Note 1			
Current		2,122,756	2,454,690
Deferred		393,311	151,485
		2,516,067	2,606,175
	EARNINGS BEFORE EXTRAORDINARY ITEM	4,356,867	4,305,647
	Per share	1.06	1.05
Gain on sale of property			470,690
	Per share		.12
	NET EARNINGS	\$ 4,356,867	\$ 4,776,337
	Per share	1.06	1.17



Pitts Engineering Construction Limited

and subsidiaries

Consolidated Balance Sheet

Assets

		DECEMBER 31	
		1976	1975
CURRENT ASSETS			
Cash and term deposits		\$ 5,328,245	\$ 4,224,110
Marketable securities (Market \$9,063)		11,134	11,134
Accounts receivable		14,720,233	14,296,942
Advances to officers and employees		79,005	97,335
Investment in joint ventures – Note 1		4,358,537	4,086,153
Unbilled contract costs – Note 1		3,160,993	4,926,840
TOTAL CURRENT ASSETS		27,658,147	27,642,514
PROPERTY, PLANT AND EQUIPMENT			
Land, buildings, marine and construction equipment – at cost – Notes 1 and 3		29,431,953	26,903,784
Less allowances for depreciation		17,027,521	14,836,666
		12,404,432	12,067,118
OTHER ASSETS			
Investment in associate company – Note 1		11,601,047	10,254,802
Long term mortgages receivable		5,474	313,620
		11,606,521	10,568,422
		\$51,669,100	\$50,278,054

Approved on behalf of the Board

Director

Director

Liabilities

		DECEMBER 31	
		1976	1975
CURRENT LIABILITIES			
Bank loans		\$ 295,750	
Accounts payable		6,992,942	\$ 7,700,255
Deferred contract revenue – Note 1		703,171	1,613,929
Income taxes – Note 1 – current		1,344,876	1,151,472
– deferred from contracts		7,544,338	6,910,218
Current portion of long term debt		700,000	1,180,000
TOTAL CURRENT LIABILITIES		17,581,077	18,555,874
LONG TERM DEBT – less current portion – Note 4		2,140,000	3,320,000
DEFERRED INCOME TAXES – Note 1		3,735,729	3,342,418
SHAREHOLDERS' EQUITY			
SHARE CAPITAL – Notes 5 and 6			
Class B shares – outstanding 1,904,580		892,246	908,793
Class C shares – outstanding 2,200,620		1,030,934	987,657
	4,105,200	1,923,180	1,896,450
RETAINED EARNINGS		26,289,114	23,163,312
TOTAL SHAREHOLDERS' EQUITY		28,212,294	25,059,762
		\$51,669,100	\$50,278,054

Auditors' Report

To the Shareholders

Pitts Engineering Construction Limited

We have examined the consolidated balance sheet of Pitts Engineering Construction Limited as at December 31, 1976, and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. Our opinion expressed herein insofar as it relates to the amount of earnings derived from the associate company is based solely on the report of other auditors.

In our opinion, based on our examination and the report of other auditors, and subject to the effect, if any, of the matters described in Note 9, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1976, and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
February 16, 1977

Ernst & Ernst.
Chartered Accountants



Pitts Engineering Construction Limited

and subsidiaries

Statement of Consolidated Retained Earnings

	YEAR ENDED DECEMBER 31	
	1976	1975
Retained earnings at beginning of the year — as previously reported	\$23,163,312	\$19,969,286
Excess of cost of net assets of subsidiaries		365,308
Retained earnings at beginning of the year — as restated	23,163,312	19,603,978
Net earnings for the year	4,356,867	4,776,337
	27,520,179	24,380,315
Deductions:		
Dividends paid:		
Class B shares (including taxes)	579,984	592,089
Class C shares	651,081	636,430
Payments due on purchase of subsidiary		(11,516)
	1,231,065	1,217,003
RETAINED EARNINGS AT END OF THE YEAR	\$26,289,114	\$23,163,312

Statement of Changes in Consolidated Financial Position

	YEAR ENDED DECEMBER 31	
	1976	1975
SOURCE OF FUNDS		
Net earnings for the year	\$ 4,356,867	\$ 4,776,337
Provision for depreciation	2,701,629	2,670,714
	7,058,496	7,447,051
Sale of property, plant and equipment	489,150	601,851
Decrease in mortgages receivable	308,146	261,974
Increase in deferred income taxes	393,311	151,485
Increase in share capital	26,730	40,040
	\$ 8,275,833	\$ 8,502,401
APPLICATION OF FUNDS		
Cash dividends	\$ 1,231,065	\$ 1,228,519
Purchase of property, plant and equipment	3,528,094	3,797,736
Investment in associate company	1,346,245	3,821,628
Decrease (increase) in long term debt	1,180,000	(1,220,000)
Payments due on purchase of subsidiary		(11,516)
Increase in working capital	990,429	886,034
	\$ 8,275,833	\$ 8,502,401

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

Investment in Joint Ventures

This is the amount of capital advances net of drawings adjusted by the companies' share of project revenues less costs to date.

Basis of Accounting for Earnings

Earnings from contracts are recorded on the basis of percentage complete. Under this method the percentage of the estimated final earnings are calculated in relation to the progress of the project. All losses are recorded when known and claims are included as earnings only when received.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Expenditures for repairs and maintenance are charged to operations as incurred.

Depreciation is provided on the straight-line method over the useful lives of assets which are estimated to be:

Buildings	20 years
Construction equipment	6-8 years
Licensed equipment	4 years
Office equipment	10 years
Marine equipment	15 years

Prior to 1975, two subsidiaries, Cliffside Pipelayers and McDace Limited provided depreciation on the declining balance method and this method will continue to be used until those assets are fully depreciated.

Investment in Associate Company

This investment is carried at cost plus excess of earnings over dividends received from the date of acquisition. Earnings pertaining to this investment are accounted for on an equity basis. See Note 2(b).

Income Taxes

Corporation taxes have been provided on the earnings shown in the financial statements. Taxable earnings are determined on a different basis and give rise to both income tax deferred from contracts and deferred income tax. The former represents timing differences between statement and taxable earnings, whereas the latter arises from capital cost allowance claimed for tax purposes in amounts differing from depreciation provided for accounting purposes.

Note 2 Principles of Consolidation

(a) The following wholly-owned subsidiary companies, being all the subsidiaries of the company have been consolidated:

C. A. Pitts General Contractor Limited
Pitts Quebec Limited
Pitts Engineering Construction Eastern Limited
Drake Construction Company Limited
Cliffside Pipelayers Limited
McDace Limited
Huron Pipelines Limited
Underwater Tel-Eye Limited
Underwater Tel-Eye (Canada) Limited

(b) Associate Company: the company through a subsidiary holds 32.9% of the equity shares of Standard Industries Limited. The after tax carrying cost of the term loans and company funds invested was \$434,583 (1975, \$378,463). Therefore, the net contribution to the company of these equity shares amounted to 26¢ per share (1975, 27¢ per share).

Note 3 Property, Plant and Equipment

	December 31	
	1976	1975
Land	\$ 543,400	\$ 543,400
Buildings	1,623,516	1,645,136
Marine and Construction Equipment	27,265,037	24,715,248
	<u>\$29,431,953</u>	<u>\$26,903,784</u>

Amounts stated for equipment do not include the companies' share of equipment owned by joint ventures.

Note 4 Term Bank Loans

The company arranged the following five year term loans, with interest at 1% above the Canadian prime bank rate to assist in the purchase of Standard Industries Limited shares.

September, 1973	\$3,500,000
March, 1975	2,400,000

Both loans are repayable in equal annual installments, commencing in September, 1974 and March, 1976 respectively.



Pitts Engineering Construction Limited

and subsidiaries

Note 5 Share Capital

	December 31	
	1976	1975
Class A – \$50 Par Value		
Redeemable Preference		
Authorized	300,000	300,000
Class B – No Par Value		
Convertible share for share into Class C		
Authorized	1,904,680	1,964,180
Outstanding	1,904,580	1,964,080
Class C – No Par Value		
Convertible share for share into Class B		
Authorized	7,095,420	7,035,920
Outstanding	2,200,620	2,134,520
Common – No Par Value		
Authorized	100	100

The Class B and Class C shares rank equally in all respects except that Class B shares bear dividends on a tax-paid basis and Class C shares bear dividends in the normal manner.

Note 6 Employee Stock Options on Class C Shares

	December 31	
	1976	1975
Options Outstanding	54,700	58,400
Options Granted		6,000
	54,700	64,400
Options Cancelled	500	2,100
Options Exercised	6,600	7,600
	47,600	54,700
The proceeds of options exercised increased share capital by	\$26,730	\$40,040

Note 7 Remuneration of Directors and Senior Officers

	December 31	
	1976	1975
Total remuneration of directors and senior officers	\$528,842	\$469,569

Note 8 Pension

Based on the most recent actuarial reports, unfunded past service liabilities amount to \$496,345 at December 31, 1976. This amount is being expensed and funded over the next thirteen years.

The total charge against operations in 1976 with respect to past service liabilities amounted to \$37,634 including interest.

Note 9 Contingent Liabilities

In March, 1975, Pitts Engineering Construction Limited and two of its officers together with eleven other companies and twelve individuals were charged with conspiring to defraud the Government of Canada and the Government of the Province of Ontario in connection with certain dredging contracts. The preliminary hearing was completed in December 1976 at which time the company and its two officers were committed for trial. Counsel for the company have advised that it is not possible at this time to assess the company's defences to the charges but have indicated that in the event of a conviction on one or more of the charges any resulting fine should not seriously impair the company's operations or financial stability.

In addition, the company has been named as a codefendant in a counter claim issued by Her Majesty in Right of Canada to recover damages and costs with regard to one of the charges referred to above. It is the belief of counsel for the company that this civil action will not be proceeded with until the aforementioned charges have been dealt with. Counsel for the company have advised that it is not possible at this time to assess the company's defences to these claims. However, they have also advised that if there is liability it is not possible at this time to estimate the amount thereof.

Note 10 Anti-Inflation Act

The company is subject to legal enforcement of the Act, consequently there are restrictions on the payment of dividends for the year ended October 13, 1977.

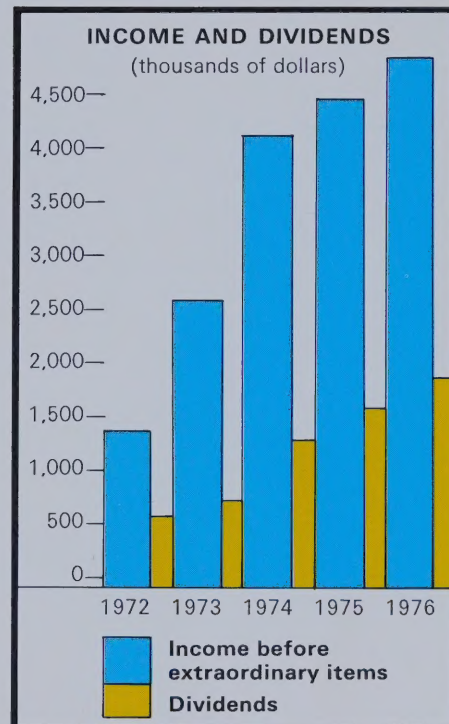
STANDARD INDUSTRIES LIMITED (33% owned)



Standard Industries Limited is one of the largest concerns in Canada producing and marketing basic materials indispensable to all kinds of construction. This includes sand, gravel and crushed stone, asphalt mixes, ready mix concrete, concrete pipe and block, other precast concrete products including prestressed concrete pressure pipes and bagged dry-mix concrete. Standard is also a street paving and road building contractor.

Its market covers the heavily-populated areas of southern and eastern Ontario, North Bay, Ontario, and the province of Nova Scotia.

Standard is publicly owned by 1,096 shareholders, including Canada Cement Lafarge Ltd. (49%) and Pitts Engineering Construction Limited (33%).



PIPELINE SUBSIDIARIES



Replacement of 30-inch gas main in Toronto's west end.



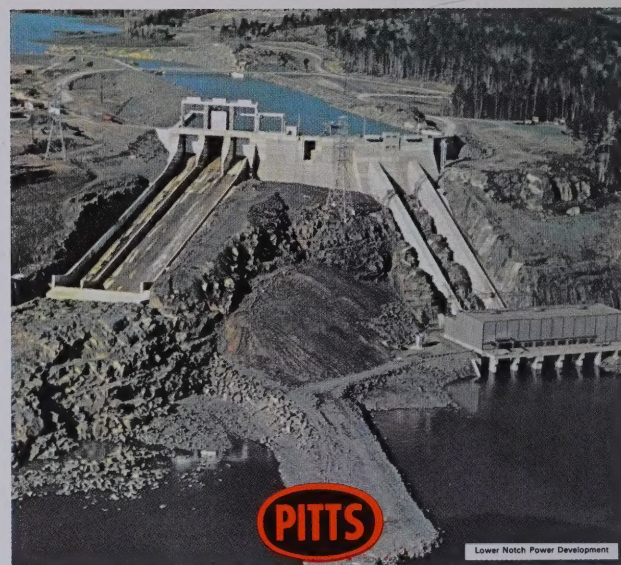
McDace crew installing gas services in Brantford, Ont.





Supertanker Wharf, Point Tupper, N.S.

1970



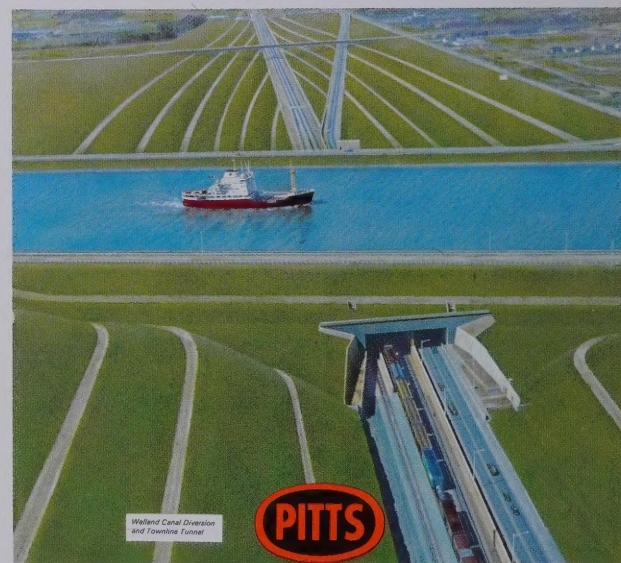
Lower Notch Power Development

1971



O.E.W. and Highway 20 Interchange
at Niagara Falls, Ontario

1972



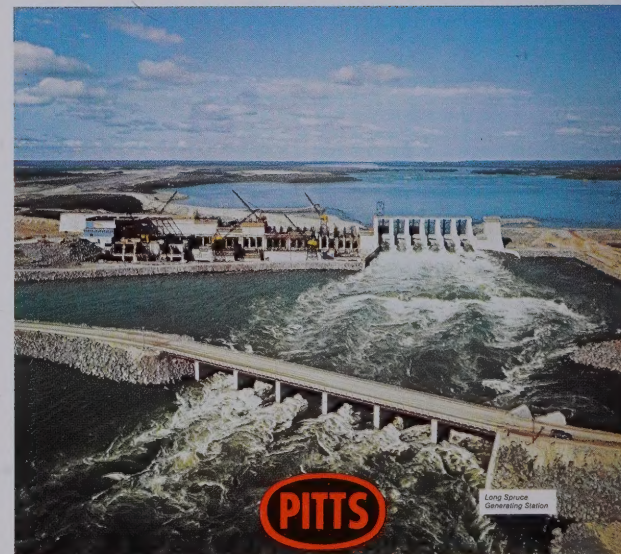
Welland Canal Diversion
and Townline Tunnel

1973



Hydro-Electric Generating
Station at Annapolis, Ontario

1974



Long Spruce
Generating Station

1975